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EXECUTIVE DIRECTOR

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CHIEF OF STAFF

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FLORENCE P. BELSER
GENERAL COUNSEL

June 17, 2005

VIA HAND DELIVERY

Mr. Charles L.A. Terreni
Chief Clerk/Administrator
South Carolina Public Service Commission
101 Executive Center Dr., Suite 100
Columbia, SC 29210

Re: South Carolina Pipeline Corporation - Annual Review of Purchased Gas
Adjustment (PGA) and Gas Purchasing Policies
Docket No. 2005-6-G

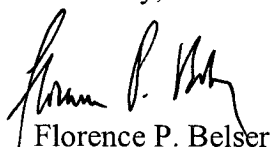
Dear Mr. Terreni:

Enclosed for filing please find sixteen (16) copies each of the Settlement Agreement and Joint Motion Requesting Approval of Settlement Agreement in the above-referenced matter. Please date stamp one copy and return it to me via our courier. As provided in the Settlement Agreement, faxed signatures are attached.

We have served same on all parties of record and enclose a Certificate of Service to that effect.

Please let me know if you have any questions.

Sincerely,


Florence P. Belser

FPB/rng
Enclosures

SO P.A.
CORRESPONDENCE
2005 JUN 17 14:11:27

Mr. Charles L.A. Terreni

June 17, 2005

Page 2 of 2

cc: K. Chad Burgess, Esquire (w/enclosures)
Paul W. Dillingham, Esquire (w/enclosures)
Scott Elliott, Esquire (w/enclosures)
James N. Horwood, Esquire (w/enclosures)
Catherine D. Taylor, Esquire (w/enclosures)

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2005-6-G

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COMMUNICATIONS
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RECEIVED

IN RE:)
)
SC Pipeline Corporation – Annual Review)
Of Purchased Gas Adjustment (PGA))
And Gas Purchasing Policies)
_____)

CERTIFICATE OF SERVICE

This is to certify that I, Rena Grant, an employee with the Office of Regulatory Staff, have this date served one (1) copy of the **SETTLEMENT AGREEMENT** in the above-referenced matter to the person(s) named below by causing said copy to be deposited in the United States Postal Service, first class postage prepaid and affixed thereto, and addressed as shown below:

K. Chad Burgess, Esquire
Willoughby & Hoefer, P.A.
Post Office Box 8416
Columbia, SC 29202

Scott Elliott, Esquire
Elliott & Elliott, P.A.
721 Olive Street
Columbia, SC 29205

Paul W. Dillingham, Esquire
Spencer & Spencer, P.A.
Post Office Box 790
Rock Hill, SC 29731

James N. Horwood, Esquire
Spiegel & McDiarmid
1333 New Hampshire Ave., N.W.
Washington, DC 20036

Catherine D. Taylor, Esquire
SCANA Corporation
1426 Main Street, 13th Floor
Columbia, SC 29201

A handwritten signature in cursive script that reads "Rena Grant".

Rena Grant

June 17, 2005
Columbia, South Carolina

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2005-6-G

SC PUBLIC SERVICE
COMMISSION
2005 JUN 17 AM 11:27
FILED

IN RE:)
)
Annual Review of the Purchased Gas)
Adjustments (PGA) and Gas Purchasing)
Policies of South Carolina Pipeline)
Corporation.)
_____)

SETTLEMENT AGREEMENT

This Settlement Agreement is made by and among the Office of Regulatory Staff of South Carolina ("ORS"), South Carolina Energy Users Committee, the City of Orangeburg, South Carolina (the "City of Orangeburg"), Lancaster County Natural Gas Authority, York County Natural Gas Authority, Chester County Natural Gas Authority, Patriots Energy Group,¹ and South Carolina Pipeline Corporation ("SCPC") (collectively referred to as the "Parties" or sometimes individually as a "Party").

WHEREAS, by South Carolina Public Service Commission ("Commission") Order No. 87-1122 dated October 5, 1987, the Commission instituted an annual review of SCPC's Purchased Gas Adjustment and Gas Purchasing Policies. In the above-captioned proceeding the review period is January 2004 through December 2004 ("Review Period");

WHEREAS, the Parties to this Settlement Agreement are parties of record in the above-captioned docket. There are no other parties of record in the above-captioned proceeding;

¹ Lancaster County Natural Gas Authority, York County Natural Gas Authority, Chester County Natural Gas Authority, and Patriots Energy Group are collectively referred to herein as "PEG."

WHEREAS, the Parties have engaged in discussions, most recently on June 14, 2005, to determine if a settlement of this proceeding would be in their best interest;

WHEREAS, following those discussions the Parties have each determined that their interest and the public interest would be best served by settling the above-captioned case under the terms and conditions set forth below:

1. The Parties agree to stipulate into the record before the Commission the pre-filed direct testimony of SCPC witnesses Paul V. Fant, Michael P. Wingo, Samuel L. Dozier, John S. Beier, and Thomas R. Conard, without objection, change, amendment, or cross-examination.

2. The Parties agree to stipulate into the record before the Commission the pre-filed direct testimony of ORS witnesses Jay R. Jashinsky and Carey Flynt, without objection, change, amendment, or cross-examination.

3. The Parties further agree that with the stipulated testimony of record, the hearing record then before the Commission will conclusively demonstrate the following: (i) SCPC's gas purchasing policies and practices during the Review Period were reasonable and prudent, (ii) SCPC properly adhered to the gas cost recovery provisions of its gas tariff and relevant Commission orders during the Review Period, (iii) SCPC managed its hedging program during the Review Period in a reasonable and prudent manner consistent with Commission orders and therefore, should be continued at the currently approved level of up to 75% of estimated gas purchases for firm customers, (iv) SCPC's Industrial Sales Program – Rider should be continued without modification, and (v) SCPC should continue to assign 20,000 dekatherms ("dts") per day of the least expensive daily delivered gas volume to the weighted average cost of gas (subject to the flexibility granted the Company during the summer period of April through October of

assigning 10,000 dts per day of the 20,000 dts per day requirement in accord with its varying load demand).

4. The Parties agree to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission as a fair, reasonable and full resolution of the above-captioned proceeding. The Parties agree to use reasonable efforts to defend and support any Commission order issued approving this Settlement Agreement and the terms and conditions contained herein.

5. The Parties agree that by signing this Settlement Agreement, it will not constrain, inhibit or impair their arguments or positions held in future proceedings. If the Commission should decline to approve the agreement in its entirety, then any Party desiring to do so may withdraw from the agreement without penalty.

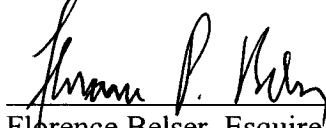
6. This agreement shall be interpreted according to South Carolina law.

7. Each Party acknowledges its consent and agreement to this Settlement Agreement by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of the agreement. Facsimile signatures and e-mail signatures shall be as effective as original signatures to bind any party. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement.

[SIGNATURE PAGES FOLLOW]

WE AGREE:

Representing and binding the Office of Regulatory Staff



Florence Belser, Esquire

Wendy B. Cartledge, Esquire

Office of Regulatory Staff

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Fax: (803) 737-0800

Email: fbelser@regstaff.sc.gov

WE AGREE:

Representing and binding South Carolina Pipeline Corporation

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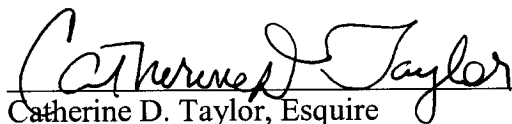
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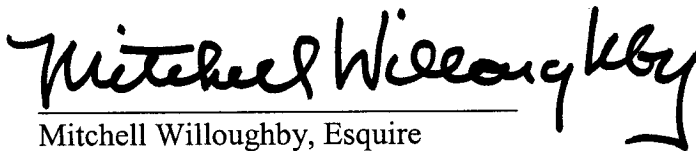
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SCEUC has not independently reviewed (i) SCPC's gas purchasing policies and practices, (ii) the management of SCPC's hedging program, (iii) SCPC's Industrial Sales Program – Rider, or (iv) whether SCPC should continue to assign 20,000 dekatherms per day of the least expensive daily delivered gas volume to the weighted average cost of gas. SCEUC's review of these matters is limited only to (i) SCPC's responses to ORS's Information Data Requests Set No. 1 and Set No. 2; (ii) SCPC's responses to the City of Orangeburg's Interrogatories and Information Data Requests Set No. 1 and Set No. 2, and (iii) the pre-filed direct testimony of SCPC's and ORS's witnesses. Although SCEUC has not conducted an independent investigation into the prudence of SCPC's gas purchasing policies and practices, SCEUC is aware that ORS has conducted such an investigation, and by executing this Settlement Agreement, SCEUC hereby supports the positions and conclusions of ORS as set forth in the pre-filed direct testimony of ORS witnesses Jay Jashinsky and Carey Flynt.

Representing and binding South Carolina Energy Users Committee



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Email: selliott@elliottlaw.us

The City of Orangeburg has not independently reviewed (i) SCPC's gas purchasing policies and practices, (ii) the management of SCPC's hedging program, (iii) SCPC's Industrial Sales Program – Rider, or (iv) whether SCPC should continue to assign 20,000 dekatherms per day of the least expensive daily delivered gas volume to the weighted average cost of gas. The City of Orangeburg's review of these matters is limited only to (i) SCPC's responses to ORS's Information Data Requests Set No. 1 and Set No. 2; (ii) SCPC's responses to the City of Orangeburg's Interrogatories and Information Data Requests Set No. 1 and Set No. 2, and (iii) the pre-filed direct testimony of SCPC's and ORS's witnesses. Consequently, the City of Orangeburg does not represent that SCPC's practices have in fact been prudent. Rather, the City of Orangeburg's execution of this Settlement Agreement is strictly limited to acknowledging that it does not oppose or object to the Commission making the findings set forth above in Paragraph 3 applicable to the period under review.

Representing and binding the City of Orangeburg



James N. Horwood, Esquire

Pablo O. Nüesch, Esquire

Spiegel & McDiarmid

1333 New Hampshire Avenue, N.W.

Washington, D.C. 20036

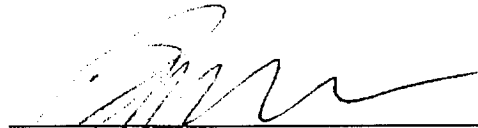
Phone: (202) 879-4000

Fax: (202) 393-2866

Email: james.horwood@spiegelmc.com

PEG has not independently reviewed (i) SCPC's gas purchasing policies and practices, (ii) the management of SCPC's hedging program, (iii) SCPC's Industrial Sales Program – Rider, or (iv) whether SCPC should continue to assign 20,000 dekatherms per day of the least expensive daily delivered gas volume to the weighted average cost of gas. PEG's review of these matters is limited only to (i) SCPC's responses to ORS's Information Data Requests Set No. 1 and Set No. 2; (ii) SCPC's responses to the City of Orangeburg's Interrogatories and Information Data Requests Set No. 1 and Set No. 2, and (iii) the pre-filed direct testimony of SCPC's and ORS's witnesses. Consequently, PEG does not represent that SCPC's practices have in fact been prudent. Rather, PEG's execution of this Settlement Agreement is strictly limited to acknowledging that it does not oppose or object to the Commission making the findings set forth above in Paragraph 3 applicable to the period under review.

Representing and binding Lancaster County Natural Gas Authority, Chester County Natural Gas Authority, York County Natural Gas Authority, and Patriots Energy Group



Paul W. Dillingham, Esquire

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FILED
2005 JUN 17 AM 11:27
SC PUBLIC SERVICE
COMMISSION

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2005-6-G

IN RE:)	
)	
Annual Review of the Purchased Gas)	JOINT MOTION REQUESTING
Adjustments (PGA) and Gas Purchasing)	APPROVAL OF
Policies of South Carolina Pipeline)	SETTLEMENT AGREEMENT
Corporation.)	
_____)	

COMES NOW the Office of Regulatory Staff of South Carolina, South Carolina Energy Users Committee, the City of Orangeburg, Lancaster County Natural Gas Authority, York County Natural Gas Authority, Chester County Natural Gas Authority, Patriots Energy Group, and South Carolina Pipeline Corporation (collectively referred to as the "Parties"), being all of the parties of record in the above-captioned proceeding, and hereby move jointly the South Carolina Public Service Commission ("Commission") for an order approving the following:

1. Accepting into the record in the above-captioned case (i) the Settlement Agreement attached hereto, (ii) the pre-filed direct testimony of SCPC witnesses Paul V. Fant, Michael P. Wingo, Samuel L. Dozier, John S. Beier, and Thomas R. Conard without objection or cross-examination, (iii) the pre-filed direct testimony of ORS witnesses Jay R. Jashinsky and Carey Flynt without objection or cross-examination, and immediately thereafter, subject to the Commission's questions designed to determine the reasonableness of this Settlement Agreement, closing the record in this case;
2. Approving as reasonable the Settlement Agreement attached hereto and incorporated herein by this reference; and

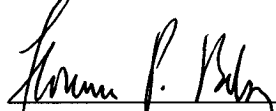
3. Ordering that (i) SCPC's gas purchasing policies and practices during the period under review were reasonable and prudent, (ii) SCPC properly adhered to the gas cost recovery provisions of its gas tariff and relevant Commission orders during the period under review, (iii) SCPC managed its hedging program during the period under review in a reasonable and prudent manner consistent with Commission orders and therefore, should be continued at the currently approved level of up to 75% of estimated gas purchases for firm customers, (iv) SCPC's Industrial Sales Program – Rider be continued without modification, and (v) SCPC continue in its requirement of assigning 20,000 dekatherms (“dts”) of the least expensive daily delivered gas volume to the weighted average cost of gas.

WHEREFORE, having fully set forth its joint motion, the Parties request that the Commission issue an order (i) accepting into the record the pre-filed direct testimony of Paul V. Fant, Michael P. Wingo, Samuel L. Dozier, John S. Beier, Thomas R. Conard, Jay R. Jashinsky and Carey Flynt without objection or cross-examination, (ii) approving the Settlement Agreement, and (iii) finding that (a) SCPC's gas purchasing policies and practices during the period under review were reasonable and prudent, (b) SCPC properly adhered to the gas cost recovery provisions of its gas tariff and relevant Commission orders during the period under review, (c) SCPC managed its hedging program during the period under review in a reasonable and prudent manner consistent with Commission orders and, therefore, the hedging program should be continued at the currently approved level of up to 75% of estimated gas purchases for firm customers, (d) SCPC's Industrial Sales Program – Rider be continued without modification, and (e) SCPC should continue to assign 20,000 dts per day of the least expensive daily delivered gas volume to the weighted average cost of gas (subject to the flexibility granted SCPC during

the summer period of April through October of assigning 10,000 dts per day of the 20,000 dts per day requirement in accord with its varying summer load demand).

WE SO MOVE:

Representing the Office of Regulatory Staff



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Wendy B. Cartledge, Esquire
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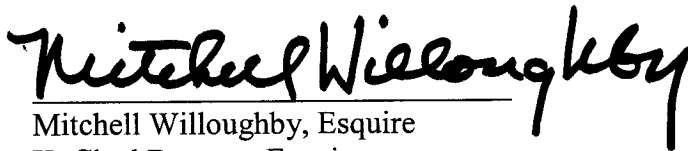
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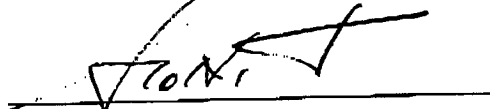
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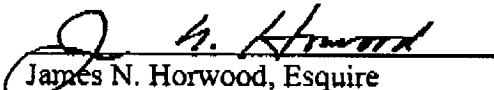
Representing the South Carolina Energy Users Committee



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Representing the City of Orangeburg



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Pablo O. Nüesch, Esquire

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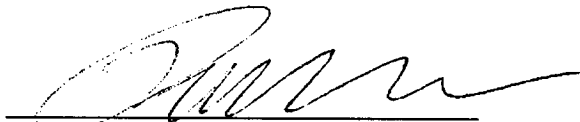
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Representing Lancaster County Natural Gas Authority, Chester County Natural Gas Authority, York County Natural Gas Authority, and Patriots Energy Group



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